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National Saving in the United Kingdom

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A REMARKABLE development of national saving has taken place as a direct result of the war. Not only are the statistics striking, but the character of the whole movement, and the basis of the appeal to save, are also remarkable. It is an example of an organisation, established to effect a somewhat limited purpose, achieving unexpected results of far greater importance.

At the outbreak of war it was anticipated that there might be a great deal of unemployment, but as a matter of fact unemployment disappeared altogether, and weekly wage-earners as a whole were better off than ever before.

EFFECT OF WAR ON PERSONAL EXPENDITURE

In the early stages of the war the government attracted workers to munition making and other occupations connected with the conduct of the war, by offering wages in excess of the market rate; this and the national need brought into employment a large number of people, especially women, who were previously not engaged in industry, and the family incomes became very large in proportion to what they had been previously. There were a smaller number of people who were making large profits out of war contracts, many of whom thought it appropriate to spend their money with ostentatious extravagance. The professional and upper classes—speaking generally—greatly reduced their expenditure, partly of necessity but

largely from patriotic motives. The best shops in the west end of London and elsewhere experienced a great change in the character of their customers and gradually began to cater for the extravagant and vulgar tastes of the *nouveaux riches*.

The wage-earners, with better excuse, were also extravagant and bought cheap jewelry, furs, pianos and other things in a way that was rather pathetic. They also bought necessary clothes, useful furniture, and in particular fed and clothed their children better than before. In thousands of cases people had a surplus over the cost of necessaries for the first time in their lives and none but the unsympathetic were prepared to blame them for injudicious extravagance.

EFFECTS OF GOVERNMENT EXPENDITURES ON BUSINESS

The expenditure of the British government on the war was, of course, enormous. It raised by taxation about half the proportion of war costs derived from taxation during the Napoleonic Wars; it raised money, partly by loans and partly by inflation, through printing a large amount of paper money, and also by the artificial creation of credit through the banks. The natural result was to depreciate the purchasing power of money, or in other words to increase the cost of living. This led to demands for increased wages; added to the cost of war supplies; increased the amount of money required by the government; produced further inflation, and so on continuously, each

adverse condition being consequence and cause of further injury. A vicious vortex was set up which still exists and from which escape is only possible by means of increased production and of economy by the government and by individuals.

GOVERNMENT SECURITIES FOR THE WAGE-EARNER

In these circumstances the Treasury thought it would be advisable to obtain subscriptions to government securities from the wage-earners, whose incomes in terms of money, and whose "effective" incomes, especially from the family point of view, were so much larger than before. Consequently a "Parliamentary War Savings Committee" was appointed. This effort was a failure.

In 1915 a committee was appointed to consider War Loans in relation to the small investor. The Chairman was Mr. Montague, the present Secretary of State for India. This committee recommended the establishment of a body, which became known as the National War Savings Committee, and the introduction of a security called the War Savings Certificate. Both these recommendations were adopted and an unexpectedly great amount of good has resulted.

THE WAR SAVINGS CERTIFICATE

The War Savings Certificate is a registered security which costs 15*s.* 6*d.* It was originally issued for five years, at the end of which time it could be cashed for £1. The period was subsequently extended to ten years, at end of which time the certificate becomes worth 26*s.*

The Montague Committee pointed out that some of the conditions necessary for a security that would appeal

effectively to the small investor were:

- (1) The ability to withdraw the money invested at any time and without loss.
- (2) Facilities for safe custody for people with no accommodation for keeping valuables.
- (3) A rate of interest as high as is given to the large investor.

The War Savings Certificate fulfils all these conditions. It can be cashed through any post office on three days' notice. The amount obtainable within twelve months of the date of issue is the cost price of 15*s.* 6*d.* After twelve months cash value increases by one penny a month until at the end of four years and eleven months the cash value is 19*s.* 8*d.* At the end of five years it is £1. It again increases by one penny a month, until at the end of nine years and eleven months from the date of issue it is worth 24*s.* 11*d.*, and at the end of ten years 26*s.*

On purchasing a certificate, the investor has to sign his name; this need only be done once, since, when buying subsequent certificates, the reference number of an earlier certificate owned can be given. When application is made to cash the certificate, the signature of the owner is again required. The transfer of certificates from one individual to another is not normally permitted; as the certificates are readily cashable, there is no occasion to transfer them.

No interest being earned during the first year, the rate of interest paid grows gradually during the first five years, and the rate for the five year period is just under 5½ per cent per annum, compound. For the succeeding four years and eleven months the rate gradually falls slightly, but be-

comes 5.3 per cent compound for the ten year period.

No income tax is charged in connection with the interest on these certificates. In order to avoid loss of tax it is necessary to limit the number of certificates any individual may purchase. This limit is fixed at 500, which cost £387 10s., and become worth £500 at the end of five years and £650 at the end of ten years. Each member of a family may hold 500 certificates, and an individual may hold more than 500, if acquired by inheritance, but after the holding exceeds the limit, no further certificates may be purchased. The loss of income tax is not so great as might be supposed, since the majority of the holders of certificates have incomes which are too small to make them liable to income tax.

The cost of handling securities of so small an amount as 15s. 6d. is considerable, but the advantages of a widespread holding of government securities and the individual and national benefits from the encouragement of

thrift are so great that this expense is amply justified.

EXTENT OF SAVINGS OF SMALL INVESTORS

As a result of the issue of Savings Certificates and other government securities in small denominations, the number of holders of British government securities has increased from 345,000 before the war to over 17,000,000 at the present time.

War Savings Certificates were first issued in February, 1916. In addition, various War Loans and War Bonds for amounts of £5 and upwards were issued through the Post Office. Loans and bonds for large amounts were issued through the Bank of England. The contributions to war finance by the small investor are fairly represented by subscriptions to Post Office Issues. Another channel for the savings of the small investor is the Post Office and the Trustee Savings Banks. The following table summarises the subscriptions to these securities:

TABLE I. SAVINGS OF SMALL INVESTORS

Date	Increase or Decrease in Savings Banks Deposits	Government Securities Post Office Issues		Totals
		Various	War Savings Certificates	
Aug. 1914—Jan. 1915.....	+ 3,316,000	£	£	£ 3,316,000
Feb. 1915—July 1915.....	+ 13,517,000	34,693,000	21,176,000
Aug. 1915—Jan. 1916.....	+ 4,864,000	11,339,000	16,203,000
Feb. 1916—July 1916.....	+ 4,651,000	21,838,000	15,555,000	42,044,000
Aug. 1916—Jan. 1917.....	+ 5,665,000	21,772,000	32,881,000	60,318,000
Feb. 1917—July 1917.....	- 8,250,000	33,318,000	40,602,000	65,670,000
Aug. 1917—Jan. 1918.....	+ 17,256,000	17,949,000	30,346,000	65,551,000
Feb. 1918—July 1918.....	+ 15,094,000	19,000,000	56,454,000	90,548,000
Aug. 1918—Jan. 1919.....	+ 27,416,000	23,800,000	53,043,000	104,259,000
Totals.....	+ 56,495,000	183,709,000	228,881,000	469,085,000

The figures for the Savings Banks show the variations in the amount of the deposits and not the total deposits. The reductions in the deposits are due to money being withdrawn from the Savings Banks for investment in War Loans or Bonds.

Single documents can be obtained representing one certificate, twelve certificates, twenty-five certificates, or any number from twenty-six to 500. It is a significant fact that, since the signing of the Armistice, the sale of certificates has been well maintained; this is especially noticeable in connection with the smaller denominations of one certificate and twelve certificates.

Although, as we shall see presently, these certificates were largely purchased from patriotic motives in order to help the country during the war, the number that have been cashed in proportion to the total issued is extremely small, when compared with the normal withdrawals from Savings Banks, or the surrender or lapse of industrial life policies. Some statistics of certificates cashed are appended:

TABLE II. WAR SAVINGS CERTIFICATES CASHED

Date	Amount	Per Cent of Total in Force
6 months ending July 1916 . . .	£ 31,000	% 0.20
" " Jan. 1917 . . .	529,000	1.09
" " July 1917 . . .	1,268,000	1.43
" " Jan. 1918 . . .	1,864,000	1.58
" " July 1918 . . .	2,700,000	1.57
" " Jan. 1919 . . .	4,356,000	1.96
Total.	10,748,000	4.93

SAVINGS BANKS IN THE UNITED KINGDOM

There are two classes of Savings Banks in the United Kingdom: one is the Post Office, and the other the Trustee Savings Banks. The rate of interest paid by these banks is only $2\frac{1}{2}$ per cent, and it was not unnaturally thought that the higher rate of interest yielded by certificates would lead to substantial withdrawals of deposits from the Post Office and Trustee Savings Banks. These expectations, however, were not realised, and since the Savings Campaign conducted by the War Savings Movement has been in progress, the increase in the Savings Banks deposits has been much larger than in normal times.

The National War Savings Committee was most anxious to avoid any step that would be detrimental to the permanent thrift institutions of the United Kingdom, since it was not generally contemplated that the War Savings Movement would continue for long after the termination of the war. Its success has, however, been so marked that the movement will continue, and it is intended that securities of the character of Savings Certificates shall be a permanent feature of British government finance. The terms may of course vary, and the adjustment is likely to be made by an alteration in the price, leaving the conditions unchanged.

It would be interesting to give some record of other thrift institutions in the United Kingdom, such as Industrial Life offices, and Friendly, Building, and Coöperative societies; but it may be more useful to devote the space available to some account of the National Savings Movement.

THE NATIONAL SAVINGS MOVEMENT

The National Committee was appointed by the government early in 1916 for the purpose of organising England and Wales. A separate committee was subsequently appointed for Scotland and, more recently, the movement has extended to Ireland. The account here given refers mainly to the work of the National Committee in England and Wales.

The first step was to set up local committees throughout the country. The initiative in doing this was generally taken by the Lords-Lieutenants of the Counties, Lord Mayors and Mayors of Cities and Boroughs, and the Chairmen of District Councils. Help of the most valuable character was rendered by the Education Authorities.

The response to the appeal was at first extremely disappointing, but gradually the needs of the country and the sound economic basis of the movement won recognition and at the present time there are about 1,800 local War Savings Committees. The function of these committees is to set up Savings Associations which collect subscriptions to War Savings Certificates; to carry on educational work which, as will be seen, is a most important feature; to supervise the working of the associations, and, generally, to act as the National Committee for the locality.

The out-of-pocket expenses are paid out of a Parliamentary grant administered by the National Committee, but the whole of the work throughout the country is done by unpaid volunteers, of whom there are some 200,000. The number of Savings Associations is about 35,000.

WHAT THE SAVINGS MOVEMENT ACCOMPLISHED

It was said at the beginning of this article that the movement was accomplishing much more than was originally contemplated. The truth of this becomes apparent when we consider the objects which various members of this great army thought they were working for.

The original idea was to obtain money for the Treasury from the small investor for the conduct of the war. In the minds of many workers this was the sole object. This conception was fostered by special campaigns such as Business Men's Week, Guns Week, and in connection with War Loans, the subscription lists of which were open for only a short time. Friendly rivalry between towns was a feature of these campaigns, and the amounts subscribed in each area were widely published. The appeal to support the fighting forces with money was readily responded to from patriotic motives, and the high rate of interest yielded had no weight with the vast majority of the subscribers.

It did not require much thought, however, to show two things. The first that so long as the country supported the war, the government could pay for it in some way or other, and secondly that the Savings Movement was accomplishing something of greater importance than supplying money for the Treasury. For the most part money could only be found by the small investor by reducing his personal demands for goods and services; the supply of these was limited and, by releasing them for war purposes, the fighting efficiency of the nation was increased. Further, genuine savings

effected a transfer of purchasing power to the government and served to diminish that artificial creation of purchasing power by the manufacture of credit which, as we have seen, was drawing the nation into a vicious vortex. Hence the Saving Movement was found to be increasing the efficiency for war, and, by encouraging sound instead of unsound finance, was promoting the future industrial prosperity of the country and its easier recovery from the strain of war.

Looking a little more closely into the facts it was seen that the material cost of the war was an example of the cost of waste in general. So far as concerns the reduction in the national wealth, the sinking of the Lusitania by a German submarine, and of the Titanic by collision with an iceberg, are of the same character. Whether motors are worn out in joy rides, or on the battle-field, the consequent decrease in the aggregate wealth of the nation as a whole is identical. Hence, if the nation was not to suffer unnecessarily, the waste of war must be substituted for, and not added to, the normal waste of peace time.

Manifestly the welfare of the individual was being promoted by the adoption of the course that best furthered national well-being. If lower prices were to be expected in the future than during the war, deferred expenditure would be more beneficial than immediate outlay; by accumulation at interest the amount of money available would be increased; there is the further probability that large amounts would be more wisely spent than small sums, thus yielding permanent satisfaction in place of temporary gratification. Looking further ahead, money could be provided for the education of children; the purchase of a house or a

business; or the starting of a boy in some profession or trade.

The success of the movement was very largely due to the personal intercourse between the voluntary workers and the individual savers; they were making a joint effort in a common cause in face of a great national peril; it was seen that the restrictions and self-discipline were building character and forming wiser habits. Among the earliest and most successful features was the enthusiastic reception met with from the schools, in which in England and Wales there are some 12,000 Savings Associations. It was not only that habits were being formed which the children will maintain in after life, but the boys and girls became enthusiastic missionaries to their parents.

Thus, little by little the larger and enduring aspects of the movement came to be recognised. It is because of this that the movement is continuing with but little decrease of efforts, or results, now that the war has been over for a year.

It was to be anticipated that some associations would cease to exist, but large numbers of new associations are still being formed. During the war many associations had the voluntary services of workers who collected subscriptions from house to house, and there were numerous associations in munition works which have come to an end; in such cases the associations could scarcely continue.

Where, however, groups of people exist for some other purpose, such as children in schools and work people in common employment, the associations are continuing and their number is being added to.

Special schemes have been devised, by means of stamps and otherwise,

for receiving subscriptions of small amounts, such as six pence, and the account-keeping involved is not of an onerous character.

A fundamental conception of the movement may be approached in another way. Man owes his predominance over other animals largely to the fact that he is a tool-making and tool-using animal; his progress in this direction is indicated by the change from the axes and arrow-heads of the Stone Age to the power-driven automatic machines of today. It is estimated that the introduction of steam power was equivalent to the addition of 1,000,000,000 human workers. Thus there has been created a vast army of "mechanical slaves" for doing a large part of the work which mankind requires. This development has materially contributed towards the substitution, to a continually increasing extent, of life for existence. Bare necessities are more easily obtained and there is a growing margin or surplus, making possible a higher type of life.

SOME EFFECTS OF THE WAR ON SAVING

One good result of the war has been a general recognition that the standard of living must be higher than before; thus we have shorter hours of labour, and an increase, not merely in money wages but, in effective wages. These conditions are possible if—but only if—we have increased efficiency and a larger output. Further, the increase of leisure will be fully beneficial when—and only when—people have learnt to use their leisure in ways that give lasting satisfaction and develop their higher faculties.

If we look back to any epoch that has marked a social advance, we find it to be characterised by a fuller appreciation of non-material joys. There is a

desire for life, and life more abundantly, such as was expressed by the young Erasmus when he wrote from Paris "I have given up my whole soul to Greek learning. When I have some money I shall buy some Greek books, and then perhaps I shall buy some clothes." There is today in the United Kingdom a widespread, partly inarticulate, hunger for a wider life—for some familiarity with the best that has been thought and said in the world—and a desire to promote by social effort a better and a happier England. These desires are at least as marked among the wage-earners as in any other class of the community.

Recognising the advantages, that have come gradually through the ages, for a margin over bare necessities, and appreciating the attractions of the products of invention and discovery, the National Savings Movement is not advocating saving for saving's sake, but for far greater reasons. Saving is urged as the practical method of providing the means for *wise spending* in the future. We are familiar with the housewife who can make one dollar yield more benefit than others can derive from two dollars; it is manifest that a better standard of living will come as much from wise spending as from high earning, and it is as a means to procuring the greatest and most lasting satisfaction, that saving is advocated.

The normal waste of peace time, yielding little or no permanent satisfaction, diminishes the surplus available for real life and, through the action of familiar economic laws, imposes the greatest burden upon the poorest classes of the community by increasing the cost of the necessities of life.

Especially while we are making good

the waste of war, restricted expenditure and abstention from extravagance and waste are imperative, and the accumulation of capital for the development of industry, and the maintenance of full employment at high wages are a purpose of the utmost national importance.

In the long run, however, the desirable thing is not less spending but more spending, always provided that it is that wise expenditure which makes for the enjoyment of a higher type of life.

Throughout the long period of the life of man upon the earth there has been a rising tide of progress, accompanied by waves of retrogression; for the moment the war appears as a retreating wave, but it may be made to serve as a force in aid of the advancing tide. Britain, like America, went into the war for the cause of Freedom, Honour, and Civilisation. The defeat of Germany was but a means to a greater end, and while there remains in our midst any preventable ignorance, poverty, or disease, the cause for which so much was sacrificed will not have been won.

That cause is as much worth fighting for now as it was while the war was waging. Recognising the splendid purpose the National Savings Movement can serve, its large army of volunteers is working in the finest spirit and with the greatest enthusiasm for a social institution that will be a beneficial and enduring feature of British life.

Before the war there was published *An Open Letter to English Gentlemen*; it was addressed primarily to Public School and University men. They were reminded that England had done much for them, and it was suggested that they would welcome the opportunity of rendering some social service to their country. The appeal was made "You would fight, will you not also serve?" When the need for fighting came we saw the response that was made.

Today there is a double appeal; to some it is "You have fought, will you not also serve?" To the rest of us "You could not fight, will you not therefore serve?" And the fighting and the service are for the same cause.